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ABSTRACT

Developed for use by students in an introductory accounting course, these learning modules deal with mastering the vocabulary of accounting. Focus of the modules is on vocabulary appearing in the first six chapters of the text, "Accounting Principles" by Niswonger and Fess. Covered in the individual modules are the following topics: discovering exact meanings by using glossaries, dictionaries, and indexes; recognizing and defining prefixes, roots, and suffixes that are common in accounting/business terminology; special areas of word study for accounting, including words indicating time order, sequence and common acronyms and abbreviations; and strategies for remembering technical and non-technical vocabulary encountered in reading assignments. Each module contains an introductory text, strategies for accomplishing the task addressed in the module, practice exercises, an answer key, and follow-up exercises. (MN)

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Mastering the Vocabulary of Accounting

by

Helene Tischler

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Preface

To The Instructors:

Purpose of the Modules. These vocabulary modules have been developed to aid students in the introductory Accounting course. Many students come in reading well below the level of the text and are defeated almost from the start by the number and difficulty of new terms found in their reading assignments.

Focus and Design. The modules focus on vocabulary selected primarily from the first 6 chapters of the text, Accounting Principles by Niswonger and Fess, since this is where most of the new vocabulary and concepts are presented.

The activities and exercises presented here do not attempt to teach course content, but rather, to help the students develop strategies and skills in learning, remembering and applying new vocabulary. All the practice materials use actual excerpts from the text so students have a chance to immediately and directly use new vocabulary and skills where they are most needed.

In addition to the various modules developing different vocabulary skills, a Reference Section is included. It contains:

1) An alphabetized list of both general and technical vocabulary to be mastered in the course.
2) A list of prefixes, roots and suffixes commonly used in the general and technical terminology in the text, plus examples.
3) A copy of the glossary from the text.

Suggested Use of the Vocabulary Modules. The modules would probably be most useful to students if they are worked on the first four weeks of classes.

Students can work individually or in small groups with a tutor or instructor. They can work at their own pace, but probably can complete approximately 2-3 modules per week.

Feedback and Revision. Feedback from both Instructors and students using the vocabulary modules would be greatly appreciated.

What was useful?

What might be changed?

Do pre and post tests need to be added?

Were there any areas where additional exercises would be helpful?

Use of these with students is the only way to refine, revise and generally make this a useful tool for both Instructors and students taking the first course in Accounting.

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Reference Section: Contains alphabetized list of words and terms to be mastered, both general and technical, list of prefixes, roots and suffixes commonly used in the text, with examples, and a copy of the glossary from the text.

Introduction: How to Master the Vocabulary of Accounting-some helpful tips and strategies as you begin.

As you begin a new course in Accounting, it may seem as if you are learning a foreign language. Difficult new technical terms crowd the pages. Easy, familiar words appear with unexpected new meanings. An everyday word such as "note", suddenly becomes technical, as in "notes payable" -- with an extremely precise meaning.

Every field of study, Psychology, Math, Electronics or Baseball, for that matter, has its own special "language" or jargon. On a baseball field you might hear the following advice, "Take two and hit to right." To the uninitiated, this makes no sense. Did you know it meant, "take two strikes, then hit to right field", (advice from coach to batter)? Is this kind of jargon used to keep the rest of us in the dark?

Actually, such technical language is really a kind of shorthand for people working in a common field. It enables them to communicate easily, say what they mean more exactly and in fewer words.

For example, let's look at a term that you will encounter in your text -- "amortization". If this term weren't available, every time accountants, businessmen, managers, etc. wanted to refer to that idea, they would have to talk about:

> "the periodic expense attributed to the decline in usefulness of the intangible (nonphysical) asset".
>
> WHEW! How much easier to say one word, "amortization" to convey the same information.

Part of your task as a student is to acquire this specialized language, so you can handle the concepts taught in Accounting.

You should have no trouble identifying or locating technical terms which you must learn. In your book, they are printed in dark (boldface) type, italics, or a different color when introduced. The problem is to remember them! This problem is made greater since most of the new terms are introduced in the first few chapters of your text. Once an unfamiliar term is defined, or a familiar term defined again, the authors will use it again and again, taking it for granted that you recognize it, know its meaning and can handle the various forms in which it may appear. For example, you may get the words "consignment, consignor, consigned and consignee" all in the same paragraph (pg. 221) -- if you don't know what "consign" means (to send or deliver goods with payment made after sale) then you're in a heap of trouble when you encounter these other forms!

Learn the terms thoroughly when they're introduced and you'll have precision tools for grasping essential new knowledge.

These short modules are presented to help you succeed in the first course in Accounting. The modules emphasize <u>practical</u> ways to learn and remember the vocabulary necessary to <u>this</u> course, as well as how to approach words so you can be successful in <u>all</u> your courses.

A Way To Begin: How Will the Author Alert You to Important Terms?

When key terms or concepts are first introduced to you in your text, the authors usually give you a clear signal. The signal used may be heavy (boldface) type, underlining, color and italics. You know when you see any of these signals, that those words and terms are crucially important.

In the passage below, the authors make important terms stand out on the page by italicizing or using darker type:

> A note that provides for the payment of interest for the period between the issuance date and the due date is called an *interest-bearing note*. If a note makes no provision for interest, it is said to be *non-interest-bearing*. The interest that a debtor is obliged to pay is an expense and is called *interest expense*. The interest that a creditor is entitled to receive is revenue and is called *interest income*.
>
> The amount that is due at the maturity or due date is called the *maturity value*. The maturity value of a non-interest-bearing note is the face amount. The maturity value of an interest-bearing note is the sum of the face amount and the interest.

Activity - Scan your textbook to see how the authors use these signals to introduce important new terms.

* * * * * * * *

As you can see from your scanning, sometimes there is an "explosion" of new words -- like the passage above in a very brief space. Yet every new terms is basic for your understanding and calls for thorough learning and remembering.

TIPS FOR LEARNING DIFFICULT TECHNICAL TERMS

1. Read to Understand Context.

   Pay attention to each term when it first appears. Read so that you understand the definition -- not to memorize, but to get a real understanding of the meaning. (See Module 2- "Clues to Word Meanings")

2. Use Word Parts- Roots, Prefixes and Suffixes.

   Many technical and nontechnical words in English come from Latin and Greek word elements. Take a new word apart if you can. Do you recognize a familiar part? If, for example, you recognize the familiar word part "equi-", meaning "equal", it helps you unlock equivalent, equation, equality. (See Modules 3-5 for useful word part clues)

3. Reread.

   Read and reread as often as is necessary. Reading once-straight-through patterns are not very helpful. Complete stops are called for frequently. Thought time is essential in addition to reading time.

4. Study Examples.

   The author's definition of a new term is almost always followed by examples. Examine these examples and figure out whether in fact, they do follow the definition. (See Module 2 for Example Clues)

5. Take Notes.

   Read the definition as you read all business materials, pencil in hand. Make notes and create your own examples. (See Strategy 3 in this Module for suggestions)

6. Find Exact Meanings.

   Suppose as you are reading the definition of the new term, you come across a technical term you've already met in the course whose meaning you don't remember. We all forget! You have the meaning right at your fingertips through the index for instant access to the original explanation of the forgotten term. (See Module 6- Finding Out Exact Meanings)

7. Recite.

   As you're working with the new term, try to express its meaning in actual words -- your own words. (See Module 7- Strategies for Remembering)

8. Use Your New Terms.

MASTERY OF NEW TERMS

Should you memorize the meanings of new terms? Chances are you won't need to. Memory of the meanings of new words will often come about naturally as you go over the material, reread, do problems, discuss in class. This is not to encourage skimming over of essential terms. Terms in Accounting and Business in general, are defined specifically. It's important to get exact meanings in mind.

Collect Key Words

Set aside a section of your notebook for an Accounting "word-saver" or glossary. As you run across a new important term, collect it for your "word-saver". Keep this record up-to-date daily. Take about 2 minutes -- that's all you'll need -- to make each entry. Start the first day of the course!

You may find a "divided page" handy. Make a line down the middle of a page in your notebook. In the Key Term column, to the left, write the new word. In the Meaning column, to the right, write the meaning in your own words.

The divided page is handy when review time comes. The dividing line makes it possible to cover the meaning completely as you check your understanding of a term.

The Divided Page

Key Term	Meaning
	Test your understanding by covering this side.

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Introduction Clues to Word Meanings

By itself, a word does not always have one clear, precise meaning. If someone were to ask you the meaning of "blue" you might not be able to answer since blue does not have one definite meaning. If they said they were feeling blue, or a letter came out of the blue, you would have a better idea of what was meant. Learning the meaning of a word through its use in a sentence is one of the most practical and meaningful ways to build your vocabulary.

The sentences or words surrounding a particular word are called the context. The writer of a text often gives the meaning of a new word in the same paragraph or nearby so that you don't have to hunt in a dictionary or a glossary to find definitions while you are reading. How often do you run to a dictionary during a lecture or while speaking to someone? Usually as you listen, you comprehend the general meaning of what is being said, and you can "plug in" a synonym when an unfamiliar word is used. Also, as you read a text, explanations, examples and other clues are used to help clarify definitions; just looking up a word in a dictionary or glossary may not be as meaningful.

EXAMPLE: Let's look at some unfamiliar terms you've come across while reading your text, "intangible assets" and "amortization".

First you look them up in the Glossary in the back of the book:

Glossary Definition

Amortization - "the periodic expense attributed to the decline in usefulness of an intangible asset or the allocation of bond premium or discount over the life of a bond issue."

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Perfectly clear?

You may be more confused after reading this unless you know the meaning of "intangible asset", "allocation", "bond premium", etc.

Of course, you can try looking for each of these terms in the glossary, but then you have to put them all together to understand what amortization means!

Let's try intangible asset: A long-lived asset that is useful in the operations of an enterprise, is not held for sale, and is without physical qualities.

A bit easier, but let's try these in context now and see the difference:

> "Long-lived assets that are useful in the operations of an enterprise, not held for sale, and without physical qualities are usually classified as intangible assets. The term amortization is used to describe the systematic write-off to expense of the cost of an intangible asset over the periods of its economic usefulness. Intangible assets frequently include patents, copyrights, and goodwill."

Although this is longer, not only do you get the definition of each term here, but you get an explanation of how the two are related, plus examples to help clarify their meanings.

While it is true that technical terms used in an academic subject such as Accounting, require precise definitions, the course includes many nontechnical terms that are not used in everyday conversation, as well as ordinary words used in new, technical ways. Most of the time you must be able to make sense out of the words as you are reading and listening, so you can get to the ideas being conveyed.

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

PURPOSE

The purpose of this module is to give you practice in using context clues. Clues are those bits of information which can help you get at meaning.

In this module you will work on:

1) Special Meanings for Commonly Used Words as they appear in Accounting, and,
2) Getting the meanings of words from the context.

Using what you know about a subject, plus being alert to the words you do understand in a sentence, can go a long way toward helping you figure out familiar words used in unfamiliar ways, as well as new and difficult technical terms.

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

PART I - Special Meanings for Commonly Used Words, or,

Familiar Words Used in Unfamiliar Ways

STRATEGY: In using context, you will often have to choose the correct meaning from the many meanings which a common word may have. In your text, you will come across a good number of these which have very specific meanings when used in Accounting.

EXAMPLE # 1: Let's take a word like "trial" which varies in meaning according to the context in which it's used. You may think of a court proceeding, or an experimental "try" at something. In Accounting, this word is used in the term "trial balance." See if you can define it in the following context:

"The trial balance is prepared before financial statements are completed as a verification of the equality of debits and credits. This summary listing of both the balances and the titles of the accounts is also useful in preparing the income statement and balance sheet."

a. What is the trial balance?

b. Why is the word "trial" used in this situation?

Let's see how well you used the context to help you.

a. The trial balance is simply a "summary listing of both the balances and titles of the accounts used in preparing income statements and balance sheets." The words, "this summary listing" refer to trial balance.

b. The word "trial" in trial balance is not a court proceeding, but means an experimental "try", in this case, prepared before the financial statements to make sure all debits and credits balance.

EXAMPLE # 2: Now let's take the word "gross."
Here is the dictionary entry from Webster's Seventh New Collegiate Dictionary. Note: There are eleven different definitions of the word "gross!" 7 definitions as an adjective, 3 as a noun, and 1 as a verb.

gross, (gros) adj., (ME, Fr. MF gros- thick, coarse)
1a) archaic: immediately obvious
b) 1. glaringly noticeable, 2. out-and-out, utter
c) visible without the aid of a microscope
2a) big, bulky: esp. excessively fat,
b) growing or spreading with excessive luxuriance
3a) of, relating to, or dealing with general aspects or broad distinctions,
b) consisting of an overall total, exclusive of deductions
4) earthy, carnal, 5) Not fastidious in taste,
6) Unrefined, 7) Obscene

gross, noun,
1a) Amount, b) An overall total exclusive of deductions,
2) archaic: Mass, main body,
3) gross, vt., to earn (an overall total) exclusive of deductions,
4) n. pl. an aggregate of a dozen things.

"Gross" is used in a number of terms in your text:

gross income
gross margin
gross pay
gross profit

Which definition(s) fits? Is a "gross profit" big, bulky, growing or spreading? unrefined, obscene?-- To some anti-Capitalists maybe!
It's clear that depending on whether its being used as an adjective, noun or verb, gross in Accounting, has to do with an "overall total, exclusive of deductions."

See if this fits the following excerpt from your text:

"The excess of the net revenue from sales over the cost of the merchandise sold is called

gross profit, gross profit on sales, or gross margin. It is termed gross, because operating expenses must be deducted from it."

* * * * * *

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Exercise #1 - Familiar Words Used in Unfamiliar Ways

A. Several Words have more than one meaning. You must read the sentence carefully to decide which meaning best fits that sentence. Read the words and definitions below:

book: n. 1. a set of written, printed or blank sheets bound together; 2. a volume of business records of various kinds;

common: adj. 1. public, widespread, general; 2. familiar; 3. elementary, simple; 4. vulgar; 5. second-rate;

face: n. and v. 1. front part of human head; 2. surface; 3. outward appearance; front, to confront (v);

goodwill: n. 1. a kindly feeling; 2. favor or advantage acquired; 3. willing effort;

maturity: n. 1. a state of being fully ripe or complete; 2. termination of a period that an obligation has to run;

par: n. 1. an accepted standard, such as golf score for each hole, value of currency; 2. the price at which securities are issued;

petty: adj. 1. minor, subordinate; 2. having little or no importance; 3. small-minded

realize (realization): v. 1. to make real, accomplish; 2. to convert into actual money; 3. to gain; 4. to understand clearly.

B. Directions: Read the sentences below. On the blank in each sentence, write the word from the list above that best fits the meaning of the sentence. Next to it put the number of the definition that fits the context. A word may be used more than once.

1. _____ is an intangible asset that attaches to a business as a result of such favorable factors as location, product superiority, reputation and managerial skill.

2. Since there is a frequent need in business for the payment of relatively small amounts, such as for postage, transportation charges and small purchases a special _____ cash fund can be set up.

3. On promissory notes, the amount that is due at the _____ or due date is called the _____ value.

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Context - Exercise #1

4. On a non-interest-bearing note, the holder can only collect the amount listed on the front of the note when it comes due, or the _____ amount. On an interest-bearing note, however, the value at maturity is the sum of the _____ amount plus interest.

5. When a partnership goes out of business, it generally sells off its assets in order to _____ cash to pay off its creditors.

6. A stated value is usually assigned to shares of stock issued, known as _____. If no monetary figure is established it is known as no _____ stock.

7. Preferred stock has prior claim to the dividends of a company, whereas _____ stock can only collect dividends after preferred stockholders have been paid.

8. The value of an asset recorded, or the _____ value, would be the cost of the asset minus the accumulated appreciation on it.

As you read in your text, be on the lookout for other familiar words used in specific ways in the context of Business and Accounting.

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Answer Key - Exercise #1

1. goodwill - clue is "favorable"

2. petty - clue is "small amounts"

3. maturity - clue is "due date"

4. face - clue is listed on "front" or surface amount

5. realize - clue situation of selling off assets to gain cash

6. par - clue "stated value"

7. common - contrast clue given - "common" here meaning having a secondary claim to earnings

8. book - clue "recorded" or written down

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

PART II - Using Different Types of Context Clues To Help You Get At the Meaning of Words

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CONTEXT CLUES are specific words or phrases in a sentence, paragraph or passage, that provide information you can use to understand new and difficult vocabulary in that sentence, paragraph or passage. There are a few basic types of context clues that seem most useful for the type of textbook you are using:

Using Stated Definitions
Using Examples
Using Contrast Clues
and, above all,
Always Using Your Common
Sense, Personal Experience
and the Logic of the Situation

For heaven's sake, don't worry about <u>what</u> the clues are called -- just become alert as to how they help you master the meanings in your text, as you try the practice exercises.

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

STRATEGY - STATED DEFINITIONS

In textbooks like Accounting Principles, many technical, unfamiliar terms are presented. Often the authors will give an outright definition or explanation in the same sentence or at least in the same paragraph. Look for a synonym(word meaning the same or is similar in meaning), or a phrase that defines the unknown word(s).

EXAMPLE : 1) A business entity is an economic unit which enters into business transactions that must be recorded, summarized, and reported. The entity is regarded as separate from its owner or owners.

a. a business entity is: _____

b. synonym in sentence: _____

Your answers may differ from the suggested answers. That's fine. Just make sure you've got the basic idea.

a. The word "is" in the first line signals a definition is coming. A business entity is basically defined as an economic unit that has its own existence and transacts business.

b. You knew what the word business meant in the unfamiliar term, but may not have been familiar with "entity." The phrase "economic unit" is a synonym for the term business entity.

Note: Other clues signalling definitions include: "that is," "meaning", "are called," "or" and commas placed on each side of a definition.

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Practice Exercise - Directions: In the following sentences from your text, use the definition clues to decide the meanings of the underlined words. Then write those meanings in your own words in the space provided.

	Meaning
1. A balance sheet shows assets, anything of value that is owned, and liabilities, amounts that are owed.	assets: liabilities:
2. Amounts entered on the left side of an account, regardless of the account title are called debits, or, charges to the account.	debits:
3. To encourage prompt payment, a business & man offers cash discounts, that is, 4. deductions from the list, or catalog, price.	cash discounts: list price:
5. Operating cycle means the average time period between the purchase of merchandise and the conversion of merchandise back into cash. The word cycle, suggests the circular flow of capital from cash to inventory to receivables to cash again.	operating cycle:

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Answers to Practice Exercise #1

1. assets - Commas on each side signal the definition.

   Definition: "anything of value that is owned."

2. liabilities - "amounts that are owed."

3. debits - Signal clues are words "are called" and "or."

   Definition: Debits are charges to the account entered on the left side.

4. cash discounts - Signal clues - "that is" and "or."

   Definition: A synonym phase is given - "deductions from the list price."

5. list price - A synonym is given.

   Definition: "catalog price."

6. operating cycle - Signal clue - "means."

   Definition: Operating cycle is basically the average amount of time it takes from the time merchandise is bought to the time it is sold. There is a continuous "flow."

STRATEGY - USING EXAMPLES

Sometimes context clues to the meaning of an unfamiliar word are given through examples. Examples are one type or one illustration of the defined word.

Words which indicate this clue include:

"especially" "like"
"for example" "e.g." (for example)
"such as"

EXAMPLE: Some consumer goods, such as plants, flowers farm products, etc. are bought by individuals for their own use and are marketed directly.

a. Example of consumer goods: _____

b. Meaning of consumer goods: _____

a. The signal "such as" is very clear. Any of the examples-- plants, flowers, farm products-- could be listed in your answer.

b. Remember, the examples are not the definition. The meaning of consumer goods is explained in the rest of the sentence. Consumer goods are products"bought by individuals for their own use."

Now try some others from your text.

Practice Exercise # 2 - Directions: Using the context clue examples, complete the following exercise.

	Meanings
1. Cash is any medium of exchange that a bank will accept at face value; it includes bank deposits, currency, checks, bank drafts, and money orders.	
2. Revenue received during a particular period may be only partly earned by the end of the period. This kind of revenue received in advance represents a liability that may be termed unearned revenue. A good example of	Unearned revenue:

this is magazine publishers who generally receive advance payment for subscriptions for periods ranging from a few months to a few years.

Example of unearned revenue:

3. The term receivables includes all money claims against individuals, organizations, or other debtors. The most common type are trade receivables, but others include interest receivable, loans to officers or employees, and loans to affiliated companies.

Examples of Receivables:

4. The term voucher is widely used in accounting. In a general sense, it means any documents that serve as evidence of authority to pay cash, such as an invoice approved for payment, or as evidence that cash has been paid, such as a canceled check.

Examples of vouchers:

5. Differential cost is the amount of increase or decrease in cost that is expected from one course of action as compared with an alternative. For example, a charge in advertising agencies raised advertising expenditures from 100,000 to $150,000, the differential cost would be $50,000.

Example of differential cost:

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Answers to Practice Exercise #2

1. bank deposits, currency, checks, bank drafts, money orders. These examples show that "cash" is not only paper dollars or coins.

2. advance payment for magazine subscriptions

3. examples of receivables - interest receivable, loans to officers or employees, loans to affiliated companies

4. Examples of vouchers- invoice, canceled check.

5. Example of Differential Cost - change of advertising agencies raising expenditures from $100- to 150,000--- Differential cost is 50,000 dollars.

STRATEGY - USING CONTRAST CLUES (ANTONYMS)

A clue to the meaning of a word can sometimes be found in an opposite word (antonym) or a contrasting idea. You may need to look at several sentences before and after the word, to to get an idea of the meaning of a word using contrast clues.

HINT: The following words are usually clues to contrasting or opposite ideas:

but	not withstanding	however
yet	conversely	whereas
on the contrary	although	on the other hand
nevertheless		

Practice Exercise - Using Contrast Clues

Directions: Use the contrast clues in the sentences below to help you figure out the meanings of the underlined words. Contrasting ideas can be tricky. They are used often in texts and can be confusing if you don't know what signals to look for.

	Meanings
1. An enterprise that sells services or merchandise to customers on account, might use a special journal designed just for those transactions. Conversely, a business that does not extend credit would have no need for such a journal.	on account:
2. A significant condition like the wearing-out of a building is not an exchange of goods or services between the business and an outsider, but it is, nevertheless, a business transaction which must be recorded.	business transaction:

Practice Exercise- Using Contrast Clues (con't)

	Meanings
3. Assets may have definite physical form such as buildings, machinery, or merchandise, or, on the other hand, may be<u>intangible</u> in the form of valuable legal claims or rights.	intangible:
4.& 5. Input data that remain relatively unchanged and do not need to be reintroduced into the system for each payroll period are characterized as <u>constants</u>, whereas there are also those termed <u>variables</u>.	constants: variables:

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Answers to Practice Exercise- Using Contrast Clues

1. "on account" - means on credit

   clue- the word "conversely" signals an opposite is coming. The opposite of an enterprise selling services or merchandise on account is, "a business that does not extend credit." Therefore, we know that "on account" means the opposite.

2. "business transaction" - could be defined as "an exchange of goods or services between the business and an outsider."

   clue- the word "nevertheless" signals an opposite is coming. We know from the first half of the sentence that although the wearing-out of a building is not a condition that fits the traditional definition of a business transaction, "an exchange of goods,etc.",it still is one.

3. "intangible" - "not having physical form or properties."

   clue- the words "on the other hand." Intangible is contrasted with examples of physical assets, or intangibles such as buildings, machinery, etc.

4. "constants"- are defined as "input data that remain relatively unchanged."

   clue- if you're on your toes you know that a definition has been stated for this word!

5. "variables"- from the contrast clue and the word "whereas" variable must mean"input data that changes and must be reintroduced for each payroll period.

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

PUTTING IT ALL TOGETHER: PRACTICE USING CONTEXT CLUES TO MASTER YOUR ACCOUNTING TERMS

Follow-Up Exercises

The Follow-Up Exercises are designed to help you put all the clues together and show you how well you're beginning to tackle those new Accounting terms that crop up so often as you're reading.

You've probably noted already how unlocking key word meanings helps your overall reading comprehension. One is part of the other.

By now you should be warmed up and ready to tackle anything in context that comes your way. (Well, at least more than you did before.) Obviously, in regular text materials the clues you've been practicing are not isolated or sequenced in any kind of order. When you come across an unknown word, you must be ready to use any kind of clue available to translate to terms you can understand. Using what you already know about context clues, you'll be better prepared to infer, or make an educated guess, about the meanings of unfamiliar, specialized terms.

After each set of paragraphs in the next few pages, check the answer keys and explanations which appear. Be sure to discuss any you don't understand with your instructor, tutor or another student.

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Exercise #1 - Familiar Words Used in Unfamiliar Ways/
Using Specific Context Clues

Directions: For each of the words listed below, give the definition you associate with it. Then read the sentences taken from your text. Use the context to define the familiar word used in a very specific way in Accounting.

Part I:

Word	General Definition
1. capital	
2. credit	
3. notes	
4. liquid	
5. real	
6. net	
7. slides	
8. ceiling	

Part II:

1. Capital is the term applied to the owner's equity (rights) in the business. It is a residual claim against the assets of the business after the total liabilities are deducted. Other commonly used terms for capital are, owner's equity, and net worth, (stockholder's equity, shareholders equity, and shareholders investment, in referring to a corporation.)

   Give 2 synonyms for capital _____

   Other terms: capital expenditures, capital assets, capital gains and losses, capital statement, capital stock

2. Amounts entered on the right side of an account are called credits, and the account is said to be credited.

   Credit means _____

3. The arrangements agreed upon by the purchaser and the seller as to when payments for commodities are to be made are called the credit terms. If payment is required immediately upon delivery, the terms are said to be "cash" or "net cash." Otherwise the purchaser is allowed a specified time, known as the credit period in which to pay.

   Credit means _____

4. A promissory note, frequently referred to as a note, is a written promise to pay a sum... on demand or at a definite time. As in a check, it must be payable to the order of a particular person or firm. It must also be signed by the person or firm that makes the promise. The one to whose order the note is payable is called the payee, and the one making the promise is called the maker.

   Note means _____

Other terms: notes receivable, interest-bearing/noninterest bearing notes, dishonored notes, notes payable

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Exercise #1 Familiar Words Used in Unfamiliar Ways (Accounting)

5. The note is a stronger legal claim than an account receivable in the event of a court action. It is also more liquid than an open account because the holder can usually transfer it more readily to a bank or other financial agency in exchange for cash. (pg. 167)

   Liquid means _____

   Other terms: liquidate- if a company liquidates its assets what is it doing? _____

6. The balances of the accounts reported in the balance sheet are carried forward from year to year and because of their permanence are sometimes referred to as real accounts.

   Real means _____

   Other terms: real time processing. How often would you say data is updated regarding events or transactions in real time processing? _____

7. The excess of the revenue over the expenses incurred in earning the revenue is called net income or net profit. If the expenses of the enterprise exceed the revenue the excess is a net loss.

   Net means _____

   Other terms: net pay, net cash flow, net long-term capital gain, net sales to assets ratio, net worth, net capital gain, net capital loss.

   The net worth of the owner in a business is how much he owns of the assets of the business after liabilities are _____ (added/deducted).

8. In a trial balance you may discover a slide has occurred, where the entire number is erroneously moved one or more spaces to the right or the left, such as writing $542- as 54.20 or $5,420.00. (pg. 56)

   Slide means _____

9. As has been indicated, there is a ceiling on the annual earnings subject to the FICA (ss) tax, and consequently, the amount of the annual tax is also limited.

   On the other hand, there is no ceiling on the amount of earnings subject to withholding for income taxes.

   Ceiling means _____

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Answer Key - Exercise #1

1. Capital - the definition is directly stated in the excerpt. Capital is, is the clue. The definition is the owners rights in a business. More explanation follows. It is the owners rights to the assets after the total liabilities (amounts owed) are deducted. Then synonyms are given - capital = owner's equity, net worth, stockholder's equity, etc.

2. Credits - again a definition is given in the sentence. Amounts entered on the right side of an account.

3. Credit - it has a different usage here. Your definition should be something like the following:

   "time given for payment for goods or services sold on trust." The clues are; "as to when payment are to be made and "specified time"

4. Notes- The clue is the phrase "a written promise"

   Definition: A written promise to pay a certain amount of money at a given time. A synonym might be the more familiar "I.O.U." All the "other terms" listed refer to who pays the note, who the note is given to, the type of note, whether a note is actually paid when it is due.

5. Liquid- Your definition should be something like the following: Liquid means -- easily convertible to cash. A situation is described to help you figure out the meaning. Also, there is a comparison made between a note and account receivable, where the clue: "more readily transferred to bank or other financial agency in exchange for cash" is given.

6. Real- Definition, explanation given -- carried forward from year to year - means they're continuous, and "because of their permanence" means they're permanent.

   Transactions in real time processing, therefore, would be continuously updated.

7. Net- Amount that remains after deductions from gross (profit, loss, income, pay, worth). Clue - "excess of" or the amount left over.

8. Slide- There is both a synonym for the word and an example given in this context. The clue "erroneously" tells you a slide is an accounting error. The example given shows the type of error. Your definition should be something like this:

   "Slide is an accounting error where the decimal point is incorrectly placed one or more numbers to the right or left."

9. Ceiling-Means limit. A synonym is given as well as a contrast clue in the second sentence.

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Follow-Up Exercise #2 - Putting It All Together:

Using Context Clues in Accounting - To Define Technical and Nontechnical terms

Directions: Use all of the context clues we've practiced to help you define the underlined words in the following paragraphs taken from your textbook.

A. In general, the amount customers pay for goods and services in business transactions is revenue for the business. For example, there are sales of products, fees charged by doctors, rent charged for apartments, fares earned by taxi drivers. Expenses of the business would include supplies used, wages of employees, and other assets and services consumed in operating the business.

B. Tangible, or physical assets, used in the business that are of a permanent nature are called plant or fixed assets. Plant assets include equipment, machinery, buildings and land. Except for land, such assets gradually wear out, or otherwise lose their usefulness over time; they are said to depreciate.

C. To have day-to-day information when needed and be able to prepare periodic financial statements, a record for transactions, or an account, is kept. A group of related accounts that comprise a complete unit is referred to as a ledger. All transactions are initially recorded in a 2-column

Meanings

1. revenue:
2. expenses:
3. consumed:
4. tangible:
5. fixed assets:
6. depreciate:
7. account:
8. comprise:
9. initially:

Follow-Up Exercise #2

	Meanings:
journal, then posted individually to the appropriate accounts in the ledger. The process of recording a transaction in the journal is called journalizing.	10. posted: 11. journalizing:
D. The flow of accounting data from the time a transaction occurs to its recording in the ledger, may be diagrammed as follows: Transaction Document Journal Ledger The initial record of each transaction is evidenced by a business document, such as a sales ticket, a check stub, or cash register tape. On the basis of the documents, the transactions are entered in chronological order in a journal. The amount of debits and credits in the journal are then transferred, or posted to the accounts in the ledger.	12. flow of accounting data: 13. document: 14. entered: 15. chronological order:
E. There is no single general rule for determining when an account or a note becomes uncollectible and becomes a bad debt. The fact that a debtor fails to pay an account in accordance with a sales contract, or dishonors a note on the due date, does not necessarily make it uncollectible.	16. uncollectible: 17. bad debt: 18. debtor: 19. in accordance: 20. dishonors:

How did you do? Is it getting easier? Check your answers with the ones on the next page.

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

Answers to Follow-Up Exercise #2

1. Both definition and example clues are used here.

   revenue is the amount customers pay for goods and services of all kinds of businesses.

2. Again examples are used to help clarify the meaning.

   expenses are "the assets used up in the normal operation of a business," like supplies, wages paid out.

3. Consumed - The synonym "used" is given in the sentence. To consume something is to use it up.

4. The signal word "or" tells you that another way of saying tangible is "physical". The definition is "physical"

5. Fixed assets: You could say "plant assets" because it is a synonym given. A more detailed definition would include:

   "physical assets that are permanent"

6. The definition is stated in the sentence: just before the word.

   depreciate is to "gradually lose usefulness (and therefore, value,) over time."

Module 1 DETERMINING WORD MEANINGS THROUGH CONTEXT CLUES

CAUTION! CONTEXT IS A GREAT HELP BUT HAS LIMITATIONS!

- Context Clues are most useful when:

1) You have a definite, "unmissable clue"- a definition or direct explanation in the same paragraph.
2) You have highly reliable clues
3) You only need a general idea of what the word means.

Don't rely on context clues alone:

1) for exact, precise meanings of technical words and terms
2) when you don't know the meanings of the words nearby.
3) When the word is a very important one -- a key to the meaning of the whole sentence or paragraph.

USE YOUR GLOSSARY AND/OR DICTIONARY TO CHECK YOUR "GUESSES" FROM CONTEXT.

Module 2 FINDING OUT EXACT MEANINGS (Using Glossaries and Dictionaries)

Introduction:

As you read, you will come across words for which your skills in using the context are not enough help when you need to know the exact meaning of a word.

The purpose of this module is to help you use different sources for looking up new words. The rule of thumb is to look for the closest available source to the paragraph you are reading for looking up the meaning of a word.

1. The Glossary - This is an alphabetized list of specialized terms and words for a particular area of study. This is usually found in the back of a text (it's in the Appendix in your text) and is the closest place to look up the meaning of an unfamiliar word or term found in a textbook.

USING THE GLOSSARY- The glossary is a good place to check your own hunches about words derived from context. Looking over terms and definitions in the glossary is a good way to review what has already been discussed and read about. Use it before exams to test yourself on terms you need to know.

On the next page you will find a page duplicated from the Glossary in your Accounting text. Let's say you've just come across the terms "retained earnings," and "retained earnings statement," in your reading of Chapter 1.

Use the glossary page to answer the following questions:

1. How many definitions are given for each word or term?
2. What words or terms do you have to know to understand the definitions given for "retained earnings" and "retained earnings statement?" List 3:

3. See if you can restate the definitions in your own words:

_____

_____

_____

Let's review these last 3 questions.

1. You can see that unlike a dictionary, a Glossary usually gives one definition per word or term -- the exact way it is used in the particular subject.
2. To understand the definitions given, you'd need to have a pretty good idea of the meanings of "retained," "net income," and "enterprise" - you can look up net income and enterprise in the glossary to help you. You can see that the same word being defined is restated in the definition given -- one problem here is the authors assume the reader understands all the words used in the definition which may not be the case!
3. Were you able to restate the definitions in your own words? They might look something like this:

   "retained earnings" - The income that remains in a company after expenses are paid.

   "retained earnings statement" - A statement which summarizes changes in the net income remaining in a corporation for a period of time.

If you didn't know the meaning of "retain" and couldn't figure it out using the Glossary, your next source is the Dictionary.

Rate earned on stockholders' equity. A measure of profitability computed by dividing net income by total stockholders' equity.

Rate earned on total assets. A measure of the profitability of assets, without regard to the equity of creditors and stockholders in the assets.

Rate of return on investment (ROI). A measure of managerial efficiency in the use of investments in assets.

Real account. A balance sheet account.

Realization. The sale of assets when a partnership is being liquidated.

Real time processing. The continuous updating of data as events or transactions occur.

Receiving report. The form used by the receiving department to indicate that materials have been received and inspected.

Reciprocal accounts. Accounts that have equal but opposite balances in two different ledgers.

Replacement cost. The cost of replacing an asset at current market prices.

Report form balance sheet. The form of balance sheet with the liability and capital sections presented below the asset section.

Residual value. The estimated recoverable cost of a depreciable asset as of the time of its removal from service.

Responsibility reporting. The process of reporting operating data by areas of responsibility.

Retail inventory method. A method of inventory costing based on the relationship of the cost and retail price of merchandise.

Retained earnings. Net income retained in a corporation.

Retained earnings statement. A statement for a corporate enterprise summarizing the changes in retained earnings during a specific period of time.

Revenue. The amount charged to customers for goods sold or services rendered.

Revenue expenditure. An expenditure that benefits only the current period.

Reversing entry. An entry that reverses a specific adjusting entry to facilitate the recording of routine transactions in the subsequent period.

Sales discount. An available discount granted by the seller for early payment of an invoice.

Sales journal. The journal in which all sales of merchandise on account are recorded.

Sales mix. The relative distribution of sales among the various products available for sale.

Sales returns and allowances. Reductions in sales, resulting from merchandise returned by customers or from the seller's reduction in the original sales price.

Securities and Exchange Commission (SEC). The federal agency that exercises a dominant influence over the development of accounting principles for most companies whose securities are traded in interstate commerce.

Selling expenses. An expense incurred directly and entirely in connection with the sale of merchandise.

Semivariable cost. A cost with both fixed and variable characteristics.

Serial bonds. Bonds of an issue with maturities spread over several dates.

Service department. A factory department that does not process materials directly but renders services for the benefit of production departments.

Single-step income statement. An income statement with the total of all expenses deducted from the total of all revenues.

Sinking fund. Assets set aside in a special fund to be used for a specific purpose.

Slide. The erroneous movement of all digits in a number one or more spaces to the right or the left, such as writing $542 as $5,420.

Sole proprietorship. A business owned by one individual.

Solvency. The ability of a firm to pay its debts as they come due.

Special journal. A journal designed to record a single type of transaction.

Standard costs. Detailed estimates of what a product should cost.

Stated value. An amount assigned by the board of directors to each share of no-par stock.

Module 2 FINDING OUT EXACT MEANINGS

USING THE DICTIONARY - A dictionary is not just a tool for boring drills, instead, it is the most reliable source to turn to for confirming hunches or learning the meaning of a word. In addition to pronunciations and definitions, many dictionaries give information about the origin of a word, synonyms, (other words that mean the same thing), and antonyms (opposites). Sample phrases and sentences also make the meanings of words clearer.

Remember, there is always a general guide to the use of a dictionary contained in it.

Each word listed in a dictionary has a variety of information that goes with it. The word and all its information is called AN ENTRY.

EXAMPLE: Let's use the same term you looked up in the glossary, "retained earnings." In reading the glossary definition you did not know the meaning of "retained." Look at the dictionary entry below for the word "retain":

1	2	3	4
re-tain	(ri-tān')	v.	(ME < OF < L re=back + tenere= to hold)

a. to hold on, keep in possession b. to keep in a fixed state or condition c. to continue to have or hold in (to retain heat) d. to continue to practice or use e. to keep in mind f. to hire or arrange in advance for the services of. SYN. see keep

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Module 2 FINDING OUT EXACT MEANINGS

Explanation of the different parts of the dictionary entry:

1= Word itself is listed divided into syllables

2= The pronunciation is given -- this along with the pronunciation key printed on the bottom of every or every other page, helps you pronounce word. Note the accent mark ('). This shows you which syllable receives emphasis when you say the word.

3= Part of speech given. Sometimes 2 symbols will be given if a word can be more than one part of speech:

v. = verb, n. = noun, adj. = adjective, adv. = adverb, prep. = preposition, conj. = conjunction, art. = article, pron. = pronoun.

4= Origin of word given. Retain came from Middle English (ME) and before that it was Old French (OF) and before that it had a Latin (L) base, tenere, meaning to hold. The parts that make up the word are very useful -- in fact, in this case, the meaning of the word is almost a literal translation of its two parts -- the prefix re means back or again, we know tenere (tain) means hold.

5= Definition(s) given. Often a word will have more than one meaning and these will be listed in the order they are most frequently used.

6= A Synonym for the word retain is given, "keep."

REMEMBER: It is the context which will often determine what a word means. Always keep that in mind when looking a word up in the dictionary.

Module 2 FINDING OUT EXACT MEANINGS

So when your text talks about "the accumulated earnings retained in a business," and "changes in retained earnings being recorded in a retained earnings statement," which definition(s) of the ones given, fit the contexts? Write the letter(s) here _____: Can you see that definition "a" is probably the best meaning for the context? If you had any trouble with this, take another look at the choices and try to substitute your choice in the context for the word "retain."

NOTE: The most important points to keep in mind, of course, is to

1) get the meaning which is appropriate to the way the word was used in context,
2) which you will be able to remember--express in your own words in the most simple, clear way, and
3) which will become part of your "working vocabulary" in Accounting.

When you use a dictionary, you usually don't need to know all the information given in an entry. Knowing where the information you need is to be found, can save you a lot of time and confusion!

Module 2 FINDING OUT EXACT MEANINGS

Exercise: Use the pronunciation key which appears on the next page to help you decide on the correct way to pronounce each of the words listed below. You can see the pronunciation of each word list right next to it in parentheses. Check one of the 3 given words that has the same voewl sound as the part of the word underlined.

1. lien (len) a.___line b.___mean c.___lane

2. patents (pat' nts) a.___pay b.___cat c.___cup

3. voucher (vouch'er) a.___saw b.___ouch c.___low

4. yield (yeld) a.___held b.___feet c.___field

5. statutes (stach'oots) a.___hut b.___look c.___hoot

6. audit (o' dit) a.___saw b.___ouch c.___say

Check your answers on the bottom of the page.

Answers to Pronunciation Exercise: 1. b 2. b 3. b 4. c 5. c 6. a

Full pronunciation key

The pronunciation of each word is shown just after the word, in this way: **ab bre vi ate** (ə brē′ vē āt). The letters and signs used are pronounced as in the words below. The mark ′ is placed after a syllable with primary or heavy accent, as in the example above. The mark ″ after a syllable shows a secondary or lighter accent, as in **ab bre vi a tion** (ə brē′ vē ā″ shən).

Some words, taken from foreign languages, are spoken with sounds that do not otherwise occur in English. Symbols for these sounds are given in the key as "foreign sounds."

a hat, cap	j jam, enjoy	u cup, butter	**foreign sounds**
ā age, face	k kind, seek	u̇ full, put	
ä father, far	l land, coal	ü rule, move	Y as in French *du*. Pronounce (ē) with the lips rounded as for (ü).
	m me, am		
	n no, in		
b bad, rob	ng long, bring	v very, save	
ch child, much		w will, woman	
d did, red		y young, yet	ȧ as in French *ami*. Pronounce (ä) with the lips spread and held tense.
	o hot, rock	z zero, breeze	
	ō open, go	zh measure, seizure	
e let, best	ô order, all		
ē equal, be	oi oil, voice		
ėr term, learn	ou house, out	ə represents:	œ as in French *peu*. Pronounce (ā) with the lips rounded as for (ō).
		a in about	
		e in taken	
		i in pencil	
		o in lemon	
f fat, if	p paper, cup	u in circus	
g go, bag	r run, try		N as in French *bon*. The N is not pronounced, but shows that the vowel before it is nasal.
h he, how	s say, yes		
	sh she, rush		
	t tell, it		
i it, pin	th thin, both		H as in German *ach*. Pronounce (k) without closing the breath passage.
ī ice, five	ŦH then, smooth		

Grammatical key

adj.	adjective	*prep.*	preposition
adv.	adverb	*pron.*	pronoun
conj.	conjunction	*v.*	verb
interj.	interjection	*v.i.*	intransitive verb
n.	noun	*v.t.*	transitive verb
sing.	singular	*pl.*	plural

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Module 2 FINDING OUT EXACT MEANINGS

ACTIVITY: Now study the definitions of the following words. Sometimes more than one definition is given. These words will be used in the next 2 exercises.

accrual	n.,	an expense or revenue that gradually increases with the passage of time
appraise	vt.,	1. to set a price for; estimate the value of 2. to judge the quality or worth of
commodity	n.,	anything that is bought and sold 2. any useful thing
dividend	n.,	profits earned by company and distributed among the owners or stockholders of the company
fiscal	adj.,	pertaining to financial matters
invoice	n.,	the bill provided by the seller to a purchaser for items purchased
lien	n.,	a legal claim on another's property as security for the payment of a debt
premium	n.,	1. an additional amount paid or charged 2. a payment, as for an insurance policy 3. very high value
residual	adj.,	1. remaining or left over
yielding	adj.,	1. producing a profit, result, etc. 2. flexible 3. submissive

Now try the exercises.

Module 2 FINDING OUT EXACT MEANINGS

Follow-Up Exercise #1

Directions: Select the correct word in parentheses according to the sense of the sentence and write that word on the line to the right.

1. Anything that is bought or sold is known as a (commodity/premium). 1._____
2. Please make payment for your purchases directly from our (dividend/invoice). 2._____
3. (Dividends/premiums)are paid to owners of stocks on a quarterly, or an annual basis. 3._____
4. The president presented the company's (fiscal/lien) policy on income and expenditures. 4._____
5. Your investments should be(appraising/yielding) a migh higher total this quarter. 5._____
6. An example of the (residual/accrual) of expenses is services performed by employees. Payment is not made until after the service has been performed. 6._____

Module 2 FINDING OUT EXACT MEANINGS

Follow-Up Exercise # 2

Directions: Match the definitions/synonyms given in Column 2 with the words given in Column 1. Write the letter of the definition/synonym in the blanks provided in Column 1.

COLUMN 1	COLUMN 2
1.____ yield	a. useful item
2.____ appraise	b. monetary
3.____ accrue	c. remaining
4.____ premium	d. return
5.____ residual	e. bill
6.____ lien	f. gradually increase
7.____ commodity	g. claim on property
8.____ dividend	h. an additional amount paid above value
9.____ fiscal	i. assess
10.____ invoice	j. a sum of money paid to shareholders

Answers to Follow-Up Exercises #1 and 2
Appear on Next Page

Answers to Follow-Up Exercise # 1

1. commodity
2. invoice
3. dividends
4. fiscal
5. yielding
6. accrual

If you got less than 5 out of 6 correct, check the definitions again. Then redo the exercise without looking back. For any problem understanding these terms, use theindex to read these in context, or discuss with your instructor.

Answers to Follow-Up Exercise #2

1. d
2. i
3. f
4. h
5. c
6. g
7. a
8. j
9. b
10. e

Did you get at least 8 out of 10 correct? Good! You're on your way. If you had difficulty with these, again recheck the definitions and read these items in context. The modules which follow, will provide many more ways to master the vocabulary in Accounting.

Module 2 FINDING OUT EXACT MEANINGS

One More Source Which May Be Helpful In Looking Up New Terms Is An INDEX.

USING AN INDEX. The index is usually located at the very end of a book. It tells you on what page(s) you can find specific information the book contains. A good index lists every subject that is discussed in the book. Turn to theindex in your text and answer the following questions:

1. Words are listed in _____ order.
2. Are definitions provided?_____
3. The index comes (before/after) the appendices, (plural for appendix)? _____
4. On what page would you find "amortization" defined?_____
5. On what page would you find the "general journal" illustrated?_____
6. Which would you say is emphasized more by the authors, "balance sheet," or "algorithms"? _____ How do you know?_____ _____
7. Under what other listing besides "fixed assets" could you find more information about the topic?_____

Check your answers on the bottom of this page.

You can see that the index can be useful for review before an exam, when you want to reread a specific section on a topic you're fuzzy about. You can quickly check for pages where terms are defined and explained, as well.

Answers: 1. alphabetical 2. no 3. after 4. pg. 261 5. pg. 111 6. balance sheet, because algorithm only appears on one page, while balance sheet is dealt with in great detail on many pages in many chapters. 7. plant assets

Modules 3 RECOGNIZING AND DEFINING PREFIXES, ROOTS AND SUFFIXES COMMON IN ACCOUNTING/BUSINESS TERMINOLOGY

Introduction- Learning Key Word Parts

We know that using context clues alone has limitations One of the most useful ways to determine the meaning of an unfamiliar word, and expand your word knowledge dramatically, is to learn some basic word parts.

These basic word parts have names:

1) The body of the word is the ROOT. The ROOT gives the word its basic meaning. For example, in the word "nonpayment", the ROOT is "pay ".

2) A PREFIX is a syllable(s) placed at the beginning of the word to change its basic meaning or to form another word. In "nonpayment" the prefix is non, meaning"not" or "opposite of".

3) The SUFFIX is an addition made at the end of the word to form another word of different meaning or function. The suffix ment in "nonpayment" means "the act, process or fact of," thus, "nonpayment" means:

"the act of not paying"

You can tackle some seemingly difficult words this way very successfully.

FOR EXAMPLE: Let's say you came across the word:

"anthropophobiac"

as you were reading.

If you knew that: anthrop = refers to mankind

phobia = refers to fear

ic = refers to a person or thing

You could figure out that "anthropophobiac" means (you fill this in):

_____

Were you able to put all the parts together and come up with a definition close to this one?:

"a person who is afraid of man (people)."

Even if you can't pronounce it, you can still figure it out!

* * * * * *

Answers to Follow-Up Exercise

1. subdivided
2. intangible
3. depreciate
4. transposition
5. contra asset
6. revalued
7. post-closing
8. uncollectible
9. preceding
10. dishonored

Module 3 RECOGNIZING AND DEFINING PREFIXES

Activity #3 - PREFIXES AS NUMBERS

Because of the nature of the field, many words used in Accounting relate to numbers and/or time periods.

The following chart shows some basic prefixes and combining forms relating to numbers or amounts, found in your text.

Prefix	Meaning	Word Examples
uni, mono, sol-	one	uniform, monotone, sole
bi	two, once every two	biweekly
du,	two, double	dual, duet
tri	three	triple
quad, quar	four	quarterly, quadrangle
multi	many	multicolumn, multinational
semi	part, or half	semimonthly
equi, equa	equal	equate, equivalent

Module 3 RECOGNIZING AND DEFINING PREFIXES

Exercise - Prefixes as Numbers

Directions: Using what you have studied about the number prefixes, study the underlined words, then fill in the blanks in the following sentences: (try not to look back)

1. Something entered in the ledger biweekly is entered _____ _____.
2. A multicolumn journal contains _____ columns.
3. Financial statements prepared semiannually are prepared once every _____ months.
4. The duality of the system known as double-entry accounting, means that every business transaction affects a minimum of _____ accounts.
5. Quarterly income statements are prepared once every _____ months.
6. In a sole proprietorship there are (is) _____ owner(s).
7. The unit price reflects the price for _____ item(s) of merchandise.
8. Would a semivariable cost have fixed or variable characteristics? _____ How do you know? _____ _____

* * * * * *

Module 3 RECOGNIZING AND DEFINING PREFIXES

Answers to Exercise- Prefixes as Numbers

1. once every two weeks

2. many, or multiple

3. 6 or twice a year

4. two, the debits and the credits

5. three

6. there is one owner

7. one, or each item of merchandise

8. both, semi means part or partly, so semivariable would be part variable and part fixed.

* * * * * * * *

Module 4 RECOGNIZING AND DEFINING ROOTS COMMON IN ACCOUNTING/BUSINESS TERMINOLOGY

ROOT WORDS

The Root is: 1) the part of the word that carries the main meaning.

2) the base of a word to which other parts - prefixes and suffixes -- are added.

STRATEGY

Many times words seem "impossible" or unreadable simply because they are long. For example, look at the word just used:

"unreadable"

Once you identify the root word (read) the puzzle of this "new" word is practically solved.

Complete the following activities and exercises to help you learn to identify roots commonly used in Accounting. Then, be sure to look for familiar root words in long words you come across in your reading.

* * * * * *

Module 4 RECOGNIZING AND DEFINING ROOTS

Activity - Practice with words derived from 11 roots used frequently in your Accounting text.

Directions: Try to fill in the blanks as you read. Each set of answers, will be found at the bottom of the next page.

1. The root cred means "believe or trust." When shopkeepers sell merchandise on trust, we usually say that they sell on _____.

2. A person to whom you owe money is your _____.

3. A report that seems authentic and worthy of belief is a _____ible report.

4. The root fer means to "bear" or "carry."

   A transfer of title to property is a process to _____ title to the new owner.

5. To defer payment is literally to _____ or postpone.

6. Creditors have _____ential rights to assets or priority over owners.

7. The root of manual is manus and means "hand".

8. Data can be entered into the journal _____ly or by electronic devices.

* * * * * *

Module 4 RECOGNIZING AND DEFINING ROOTS

Activity - 11 Roots (con't)

9. The root of depletion is "plere", Latin meaning "to fill."
The prefix "de" means "the opposite of."
To deplete resources such as mineral ores from the earth means to _____.

10. In figuring depreciation of assets, the costs allocated for removal of metal ores and minerals from the earth is called _____tion.

11. The root pos (pose) comes from a Latin verb meaning "to put or place."
A common error in the balance sheet is to put one number in place of another, that is,to place them across, for example, writing $524 for $542."
The 2 and the 4 have been trans_____.

12. When you put together groups of assets to determine a single rate of depreciation, you are coming up with a com_____ rate.

13. The U.S. Treasury Department used Fort Knox as a depository for its gold bullion. It has _____ or _____ its gold bullion at Fort Knox.

Answers to items 1-8: 1.credit 2. creditor 3. credible
4. carry across 5. put off from 6. prefer(ential)
8. manually

Module 4 RECOGNIZING AND DEFINING ROOTS

Activity - 11 Roots (con't)

14. Scrib, scrip, script are forms of the same root meaning "to write or draw."

    A subscriber to a stock issue is literally, one who _____ or signs consent to buying shares.

15. The amount of such written promises to buy stock or _____tions, represent assets to a corporation.

16. When the bookkeeper transcribes entries, he/she may _____ from a journal into a ledger.

17. The root solve means "to release or loosen," "to pay", or "to find a solution".

    The term solvency refers to the ability of a business to _____ its financial obligations as they come due.

18. Their inability to pay would mean they were in_____ent.

19. Dissolution of a partnership occurs whenever a partner ceases to be a member of the firm for any reason incldlng, withdrawal, bankruptcy, incapacity or death. Dissolution literally means the "act of _____".

Answers to items 9-13: 9.empty, remove 10. deple(tion) 11. (trans)posed 12. (com) posite 13. placed or put down

Module 4 RECOGNIZING AND DEFINING COMMON ROOTS

Activity - 11 Roots (con't)

20. The words, "value", "valuation", "evaluate", "revaluate" all have the root _____ meaning"having value or "to be worth."

21. One way of determining how much inventory is worth or _____ing it, is to compare cost with market price and use the lower of the two. This process of determining the value of merchandise is called _____tion.

22. When a new partner is admitted to a partnership, the assets of the company may have to be reassessed or _____.

23. Ver,is a root meaning "true or proof".

    If you verify the equality of debits and credits in the ledger at the end of each accounting period, you are _____.

24. This process of checking up and substantiating the accuracy of entries is called a _____tion or a trial balance.

Answers to items 14-19: 14. underwrites 15. subscrip(tions) 16. write across 17. pay 18.(in) solv(ent) 19. loosening apart or breaking up.

Module 4 RECOGNIZING AND DEFINING COMMON ROOTS

Exercise

Directions: Strip the following words down to their root words by removing their prefixes and suffixes (some may not have both). Then give the meaning of each root word.

EXAMPLE: word "inequality"

Prefix= in meaning "not or opposite"

Root = equa- meaning "equal"

Suffix= ity meaning "state of being"

Note: Remember that sometimes the spelling of the root word is changed before a suffix is added.

	Root	Meaning
a. revaluation	_____	_____
b. disbursement	_____	_____
c. inflation	_____	_____
d. disclosure	_____	_____
e. salability	_____	_____
f. deplction	_____	_____
g. consumable	_____	_____
h. discontinuance	_____	_____
i. deferrable	_____	_____
j. verification	_____	_____

Answers to Activity, "11 Roots" items 20-24.

20. val 21. valu(ing) valua(tion) 22. revalued

23. checking up and substantiating the truth or accuracy of it

24. verifica(tion)

Module 5 RECOGNIZING AND USING SUFFIXES TO HELP IDENTIFY VARIANT FORMS OF WORDS FREQUENTLY USED IN ACCOUNTING

SUFFIXES

Suffixes are final syllables added to the end of a word. They can change both the word's meaning and the way it is used in a sentence.

A SUFFIX often tells you what a word does, whether it names (noun) or describes (adjective).

STRATEGY

You need to be able to recognize not only the basic meaning of a term or word but also to recognize its various uses, especially in higher education. A term may be introduced and explained if the instructor thinks it an unusual word, but from then on, he will use any appropriate form and expect you to understand. Using the word endings will help you cope.

FOR EXAMPLE: "To vary" is a verb meaning "to change or differ from one to another."

In your Accounting text derivatives such as the following are used:

1. variable
2. variance
3. variation
4. variability

What's the difference between each of these?

Modules 3 RECOGNIZING AND DEFINING PREFIXES

PURPOSE

In the modules which follow you will learn:

1) To identify different parts of words
2) The meanings of some of the most commonly used word parts -- roots, prefixes and suffixes -- you will encounter in Accounting/Business terminology.

Learning new words in this way, you will not be tied to memorizing lists or to remembering isolated bits of information.

Instead, you'll have the keys to unlocking the meanings of hundreds of new words as you read.

Module 3 RECOGNIZING AND DEFINING PREFIXES COMMON IN ACCOUNTING/BUSINESS TERMINOLOGY

STRATEGY:

The prefixes in the charts and exercises which follow are the ones most frequently used in your Accounting text. They have been grouped for you, according to meanings.
The following will be presented to you in this module:

a. Prefixes Indicating a Negative or Opposite
b. Prefixes Indicating Position or Direction
c. Prefixes as Numbers

STUDY the groups of prefixes and their meanings before you go on to the practice exercises.

CAUTION: The letters at the beginning of a word are not always prefixes. They are sometimes a part of the root or base word. For example, the pre in pregnant is not a prefix meaning "before." Instead, pregnant is from the Latin, "pregnans."

You should always examine a word carefully to determine:

first, if it has a prefix and,
secondly, what that prefix may mean.

Most importantly, look at the sentence the word is used in as you read, to see if the definition you have come up with using word parts, fits.

Module 3 RECOGNIZING AND DEFINING PREFIXES COMMON IN ACCOUNTING/BUSINESS TERMINOLOGY

ACTIVITY #1 - PREFIXES INDICATING A NEGATIVE OR OPPOSITE

Prefix	Meaning	Word Examples
anti-, contra-	against, opposite, opposed to	antitrust, contradict, contra asset
de	down, away from	depletion, deflate decentralize
dis, dif	not, opposite, apart from	dishonored, discontinue differ
in- (il, im, ir)	not	insolvent, immaterial, illegal, irregular
non	not, without	nonoperating, nonprofit
un	not	uncollectible, unrecorded

Module 3 Recognizing and Defining Prefixes Common in Accounting/Business Terminology

Exercise #1 - Negative Prefixes

Directions: Read each definition, then determine the word by selecting from the prefixes, de, dis, dis, and adding the appropriate prefix to the root word.

Word		Word Definition
1. ____	centralize	- reorganize into smaller units
2. ____	ferential	- showing a difference
3. ____	ficiency	- lack of something needed
4. ____	count	- deduction from cost
5. ____	burse	- to pay out, expend
6. ____	close	- to uncover, reveal
7. ____	pletion	- using up of resources, eg. metal ores
8. ____	solve	- to end something by breaking it up
9. ____	honor	- failure to pay note
10. ____	fault	- failure to pay money due

Module 3 Recognizing and Defining Prefixes
Common in Accounting/Business Terminology

Exercise #2 - Negative Prefixes

Directions: Define the underlined words in the sentences below from your Accounting text. Use the context as well as the meanings of the prefixes to help you.

	Meanings
1. Revenue from sources other than the prinicpal activity of a business is classified as <u>nonoperating</u> income, like income from interest, rent, etc.	nonoperating-
2. Deferred revenues may be listed on the balance sheet as a current liability, where they are often described as <u>unearned</u> revenues, or revenues received in advance.	unearned-
3. If a partnership becomes <u>insolvent</u>, each partner must use their own personal assets to settle the debts of the partnership.	insolvent-
4. Charitable or religious organizations are termed <u>nonprofit</u> organizations.	nonprofit-
5. The operating expense incurred because of failure to collect receivables, is called an expense or loss from <u>uncollectible</u> amounts.	uncollectible-
6. When financial statements are prepared, <u>unrecorded</u> accruals must be given recognition.	unrecorded-

Module 3 Recognizing and Defining Common Prefixes

Answers to Exercises #1 and #2 - Negative Prefixes

Exercise #1 -

1. de-
2. dif-
3. de-
4. dis-
5. dis-
6. dis-
7. de-
8. dis-
9. dis-
10. de-

Exercise # 2 -

1.

Module 3 RECOGNIZING AND DEFINING PREFIXES

Activity #2 - PREFIXES INDICATING POSITION OR DIRECTION

Prefix	Meaning	Word Examples
ad(ag, ac,af)	to, toward, at	account, aggregate, adjustable
con (com, col) (co-)	with, together	consign, consolidated collectible, compute
in	in, inside	inflate, inclusive
inter	between	interrelationship, interim
over	above, beyond	overhead
pre, pro	before, in front, forward	prepaid, precede, proceeds
post	after	postscript, post-closing
re	back, again	recur, recompute, revaluate
sub	under, below	subdivided, subgroupings
trans	across, through, beyond, over	transact, transpose

Module 3 RECOGNIZING AND DEFINING PREFIXES COMMON IN ACCOUNTING/BUSINESS TERMINOLOGY

Exercise #1 - Prefixes Indicating Position or Direction

Directions: Match the word in Column A with its meaning in Column B by placing the letter of the correct meaning in the blank that precedes it. Use the prefixes as clues in determining word meanings. Do the ones you recognize easily first.

Column A	Column B
1.____ inclusive	a. one who owns jointly
2.____ inflationary	b. to make full or complete again
3.____ prepaid	c. to get or buy back
4.____interim	d. amount produced
5.____prospective	e. more money going into economy
6.____co-owner	f. the time between events
7.____interrelationship	g. taking everything into account
8.____output	h. to occur again or at intervals
9.____replenish	i. outlook, forward looking
10.____interval	j. pay beforehand
11.____recur	k. connection between
12.____redeem	l. the period of time between

Module 3 RECOGNIZING AND DEFINING PREFIXES

Exercise #2 - Prefixes Indicating Position or Direction

Directions: In this exercise, use both context clues and your knowledge of prefixes to help you define the underlined words in the sentences below:

	Meanings
1. Creditors have <u>preferential</u> rights to the assets of a business over the owners rights.	preferential-
2. A corporation may sell its stock to an underwriter or directly to investors. In some cases, the investor first enters into an agreement with the corporation to <u>subscribe</u> to shares at a specified price per share.	subscribe-
3. The claim (s) of owner(s) can be given greater emphasis in the accounting equation, by <u>transposing</u> liabilities to the other side of the equation, yielding, Assets - Liabilities=Capital.	transposing-
4. When two accounts, such as Home Office and Branch accounts have equal but opposite balances, they are known as <u>reciprocal</u> accounts.	reciprocal-
5. Businesses with large <u>aggregations</u> of assets are usually organized as corporations with many stockholders.	aggregations-
6. An alternative to computing depreciation based on each plant asset, is to determine depreciation on the basis of a <u>composite</u> group of assets, using a rate based on averages.	composite-

Module 3 RECOGNIZING AND DEFINING PREFIXES

Exercise # 2 - Prefixes Indicating Position or Direction

		Meanings
7.	An accrual is an expense or a revenue that gradually increases over time.	accrual-
8.	One of the principal sources of corporate capital are retained earnings, or net income retained in the business.	retained-
9.	A corporation may be required to appropriate money from earnings for bonded indebtedness until the maturity of the bond.	indebtedness-
10.	The amount of assets consumed or services used in the process of earning revenue is called "expense."	consumed-

Check your answers for Exercise 1 and 2 on the next page.

* * * * * *

Module 3 RECOGNIZING AND DEFINING PREFIXES

Follow-Up Exercise

Directions: Below you will see a listing of words. Select one of the following words to replace the underlined word or words in the sentences below. Use the prefixes to help you. Write the word you choose in the blanks provided.

Word List : subdivided, transpositions, depreciate, subsequent, contra assets, post-closing, intangible, preceding, nonoperating, revalued, unearned, dishonored, uncollectible.

1. Equities may be broken down into 2 principal types: the rights of creditors and the rights of owners. 1._____
2. Any physical thing or something not concrete, such as a right, that has a money value, is an asset. 2._____
3. Plant assets, such as equipment, machinery, and buildings, gradually wear out over time and go down in value. 3._____
4. One common type of error in the accounts can be in the erroneous rearrangement of digits such as writing $542 as $452. 4._____
5. These accounts are offset against the plant asset accounts. 5._____
6. When a new partner is admitted into a partnership, the assets may have to be assessed again to bring them up to current market value. 6._____

Module 3 RECOGNIZING AND DEFINING PREFIXES

Follow-Up Exercise (con't)

Word List: subdivided, transpositions, depreciate, subsequent, contra assets, post-closing, uncollectible, intangible, preceding, nonoperating, revalued, unearned, dishonored.

7. The final procedure of the accounting cycle is the preparation of a trial balance after closing all the temporary accounts. 7._____

8. When merchandise or services are sold without the immediate receipt of cash, usually a portion of the claims against customers are unable to be collected. 8._____

9. The estimate of the rate of gross profit is ordinarily based on the actual rate for the year coming before, adjusted for any changes made in the sales prices during the current period. 9._____

10. If the maker of a note fails to pay the obligation on the due date the note is said to be _____. 10._____

* * * * * * *

Check your answers on the next page.

Module 5 RECOGNIZING AND USING SUFFIXES

Can you define each of the forms of "vary" listed on the lines below?

1. variable means:

2. variance means:

3. variation means:

4. variability means:

Let's see how you did.

1. Variable - part of speech, adj. The SUFFIX "able" or "ible" means "capable of" or "able to."
   A variable cost means "the amount of the cost changes or varies as opposed to being fixed, or set."

Other Examples:

a. If something is not able to be collected, it is uncollect _____.

b. If something can be put off, it is defer _____.

a. it is uncollectible

b. it is deferrable

Note: There may be spelling changes when suffixes are added.

Exercise #1 - Suffixes

Directions: Define the following words from your text:

1. consumable -
2. salable -
3. allocable -
4. equitable -
5. receivable -

Module 5 RECOGNIZING AND USING SUFFIXES

Answers to Exercise # 1

1. consumable - capable of being consumed or used up
2. salable - capable of or able to be sold
3. allocable - capable of being allocated or assigned to something
4. equitable - capable of being fair or just
5. receivable - capable of being received (from sales of goods or other business transactions)

---

2. Variance - The SUFFIX "ance" or "ence" is a noun-forming suffix meaning "state of being" or "act of." The suffixes "ancy" "ency" have the same meaning. "Variances for the standard," refers to "differences between the standard costs of a department and the actual costs incurred."

There are a number of types of "variances" used in Accounting: for example- quantity variance
price variance
time variance
rate variance
volume variance
controllable variance

Exercise # 2 - Suffixes

Directions: Use the suffixes "ance, ence, ancy or ency" to complete the following:

1. If something is in agreement with, it is in accord_____.
2. The state of being able to pay debts is called solv_____.
3. If something has priority over something else we

Exercise #2 - Suffixes (con't)

say it taked preced _____.

4. If a department is unprofitable, managers may consider the discontinu _____ of that department.

5. If you make payment, you send a remitt_____.

(Check your answers on the next page)

---

3. Variation - The SUFFIX "ation" or "tion, sion, ion," is a noun-forming suffix meaning "condition, state of, act of, or process of" A variation to a procedure then is"the state of being changed."

Exercise #3- Suffixes

Directions: Name the act, process, state or condition, shown by these verbs (add the appropriate ending).

1. subscribe _____
2. acquire _____
3. allocate _____
4. verify _____
5. inflate _____
6. liquidate _____

(Check your answers on the next page)

* * * * * * * * *

Module 5 RECOGNIZING AND USING SUFFIXES

Answers to Exercise # 2 - Using suffixes "ance, ence, ancy, ency"

1. accord<u>ance</u>
2. solv<u>ency</u>
3. preced<u>ence</u>
4. discontinu<u>ance</u>
5. remitt<u>ance</u>

Answers to Exercise #3- Using suffixes "tion, ation, ion, sion"

1. subscription
2. acquisition
3. allocation
4. verification
5. inflation
6. liquidation

Module 5 RECOGNIZING AND USING SUFFIXES

Exercise # 4

Directions: Match the word in Column A, with its definition in Column B.

Column A	Column B
___1. redemption	a. act of using up goods or services
___2. aggregation	b. the act of setting aside money money for a specific use
___3. realization	c. the collecting of units or parts into a whole
___4. consumption	d. conversion into cash
___5. remuneration	e. the periodic expense attributed to a decline in usefulness
___6. amortization	f. sale of assets (to convert to actual money)
___7. appropriation	g. payment

(Check your answers on the following page)

Answers to Exercise #4

1. d
2. c
3. f
4. a
5. g
6. e
7. b

---

4. Variability. The SUFFIX "ity"(ty) is a noun-forming suffix meaning "condition," "state" or "quality of being." Therefore, variability means, "the state of being variable or changeable."

Exercise #5 - Using suffixes "ity" and "ty"

Directions: Fill in the blanks below with one of the word choices from your text, which follow:

Choices: equity, reciprocity, duality, liability, comparability, commodity, salability

1. quality of being compared - _____
2. quality of being marketable - _____
3. the condition of having a right or claim to the properties of a business enterprise- _____
4. the condition of having debt of a business enterprise - _____
5. the condition of having equal but opposite balances in 2 different ledgers - _____

(Check your answers at the bottom of the next page)

Module 5 RECOGNIZING AND USING SUFFIXES

Activity - Other Common Suffixes - ment, al, ary

1. -ment - noun-forming, means "act, state of"

   Example - assignment

2. -al(ial) - adjective forming, means "of, like, having the nature of"

   Example - comical
   celestial

3. -ary - adjective forming means "connected with, belonging to"

   Example - customary

STRATEGY

Often without special study of word endings, one ending sounds "right" because you've heard it spoken and used it as a speaker of English. Use your "ear" for the language as well as the meanings of the 3 additional suffixes, to do the next exercise.

Exercise #6 - Using suffixes "ment," "al", "ary"

Directions: Fill in the appropriate ending for each of the following words. A brief definition is given alongside each to help you complete it.

		Definition
1.	accru _____	Process of expense of revenue that gradually increases over time
2.	Budget _____	having to do with planning spending adjusted to income
3.	consign _____	act of shipping goods with payment due after sale
4.	disburse_____	act of paying out

Exercise # 6 (con't)

	Definition
5. defer_____	a postponement of the recognition of an expense already paid or a revenue already received
6. discretion_____	having to do with being prudent
7. apportion_____	act of distributing

Answers to Exercise # 6

1. accrual
2. budgetary
3. consignment
4. disburse ment
5. deferral
6. discretionary
7. apportionment

Module 6 SPECIAL AREAS OF WORD STUDY FOR ACCOUNTING

Activity - Classifying , Recognizing, and Using Words That Indicate Time Order and Sequence

From your readings you can see that what goes where, when, and how often is essential in understanding Accounting procedures.

Let's take the when and how often.

Expressions like "subsequent to,"
"preceding this entry,"
"periodic reporting,"
"chronological,"

pop up all the time.

To understand these, is to get a better handle on understanding and working out your accounting problems -- not to mention adding to your general knowledge of English!

Below is a list of Time Order and Sequence Words used with great frequency in your text.

WORDS RELATING TO TIME ORDER AND SEQUENCE	
subsequent	perpetual
consecutive	interim
prior	sequentially
cycle	post-closing
recur	periodic
interval	preliminary
preceding	cumulative
foregoing	

Module 6 SPECIAL AREAS OF WORD STUDY FOR ACCOUNTING

Exercise # 1: Classifying Time Order and Sequence Words

Directions: Using your knowledge of word parts, especially prefixes, and, if necessary, a dictionary, See if you can fit each of the words given in the list on page ___ under the appropriate category.

Words Meaning Before	After	From Time-to-Time
	Continuous	

Module 6 SPECIAL AREAS OF WORD STUDY FOR ACCOUNTING

Exercise # 2

Directions: Choose one of the Time Order and Sequence words listed below to replace the underlined words in the sentences in this exercise. Use Context Clues, your knowledge of Word Parts, and if necessary, a Dictionary to help you.

Words to choose from:
subsequent, consecutive, prior, cycle, recur, interval, preceding, foregoing, perpetual, interim, sequentially, post-closing, periodic, preliminary, cumulative

1. When posting is done manually, the debits and credits in the journal may be posted in the order in which they occur. 1._____
2. In discovering accounting errors, a first step before retracing all the steps in the accounting process, is to check for transpositions and slides. 2._____
3. Financial statements that are issued for periods covering less than a fiscal year, are literally, "between times,or temporary statements. 3._____
4. A complete cycle of business operations is usually assumed to occur again every twelve months. 4._____
5. The final procedure of the accounting cycle is the preparation of a trial balance after all the temporary accounts have been closed. 5._____

Module 6 SPECIAL AREAS OF WORD STUDY FOR ACCOUNTING

Exercise # 2 (continued)

Words To Choose From:
subsequent, consecutive, prior, cycle, recur, interval, preceding, foregoing, perpetual, interim, sequentially, post-closing, periodic, preliminary, cumulative

6. At regular times between yearly operations throughout the life of a business enterprise, the operating data for the fiscal year must be summarized and reported. 6._____

7.& 8. Sometimes an inventory system is used where the merchandise inventory can be determined only by a physical measurement at specified intervals. In contrast to that system, the continuous inventory system uses accounting records that continuously disclose the amount of the inventory. 7._____ 8._____

9. The estimate of the rate of gross profit is ordinarily based on the actual rate for the year before, adjusted for any changes in sales prices in the current period. 9._____

10. & 11. To determine the amount of FICA tax to withhold from an employee for a payroll period, the amount of accrued gross earnings or accrued taxes withheld for the year before must be looked at. 10._____ 11._____

Module 6 SPECIAL AREAS OF WORD STUDY FOR ACCOUNTING

Answers to Exercise # 1 : Classifying Time

Order and Sequence Words

Words Meaning Coming Before Or First -	preliminary
	prior
	preceding
	foregoing
Coming After -	subsequent
	post-closing
From Time-to-Time -	periodic
	interval
	interim
	recur
Continuous -	consecutive
	sequentially
	cumulative
	perpetual
	cycle

Answers to Exercise # 2

1. sequentially
2. preliminary
3. interim
4. recur
5. post-closing
6. intervals
7. periodic
8. perpetual
9. prior or preceding
10. cumulative
11. prior or preceding

Module 6 SPECIAL AREAS OF WORD STUDY FOR ACCOUNTING

ACTIVITY - VISUALIZATION FROM DEFINITION/DESCRIPTION

PURPOSE - As opposed to more theoretical courses, much of what you read in Accounting is practical information to be applied and practiced immediately. It is essential to understand not only the terms, but how these are used for record keeping and gathering of information.

Many of the definitions of technical terms are actually descriptions of something. The "something" in your Accounting text can be types of forms used, equations, types of journals and ledgers. Although these are illustrated in your text, you need to be able to form a mental picture of what is being described, when you come across these types of technical terms.

This next exercise is to help you practice visualizing and idenifying what is being talked about in some types of descriptions/ definitions that appear frequently in your text.

* * * * * *

Module 6 SPECIAL AREAS OF WORD STUDY FOR ACCOUNTING

Exercise

First, STUDY the following definitions/descriptions:

1. Balance Sheet - A financial statement listing the assets, liabilities and capital of a business entity, as of a specific date.
2. Algorithm - generalized arithmetic formula.
3. General Journal - The 2-column form used to record journal entries that do not "fit" in any special journals.
4. General Ledger - The principal ledger that contains all of the balance sheet and income statement accounts.
5. Invoice - The bill provided by the seller (referred to as "sales invoice") to a purchaser (referred to as a "purchase invoice") for items purchased.
6. Promissory Note - a written promise to pay, representing an amount to be received by a business.
7. T-Account - A form of account using the letter T.
8. Flow of Accounting Data - The inital record of each transaction(s) is evidenced by a business document such as a sales ticket, a check stub or a cash register tape. Then the transactions are entered in chronological order in a journal. The amount of the debits and credits in the journal are then transferred, or posted to the accounts in the ledger.

9. Flowchart - a chart showing in graphic form the the major operations that are to be performed in accounting for a particular transaction or series of transactions. Usually arranged to read from top-to-bottom and left-to-right, with the direction of flow indicated by arrows.

Directions: Using the definitions/descriptions you've just studied, try to label each of the items reproduced below. Remember: You need to try to match what you've read about the characteristics described, with the actual form, chart, etc.

ADAMS MANUFACTURING COMPANY
19 Union Street
Kansas City, Missouri

Sold to Zenith Company *777*

10 Fairway Avenue *date* Nov. 15, 19__

San Francisco, Calif. *Your order no.* 999

Shipped to Same *Date shipped* Nov. 15, 19__

Terms 2/10, n/30 *Shipped via* Jones Truck Co.

Quantity	*Description*	*Price*	*Amount*
15 sets	Model S irons	$60.00	$ 900.00
50 dozen	X3Y Shur-Par golf balls	7.00	350.00
			$1,250.00

a. This is a(n) _____

Miles Taxi Corporation

August 31, 1981

Assets		
Cash		$ 3,400
Supplies		250
Land		7,500
Total assets		$11,150
Liabilities		
Accounts payable		$ 450
Capital		
Capital stock	$10,000	
Retained earnings	700	
Total capital		10,700
Total liabilities and capital		$11,150

b. This is a(n)_____

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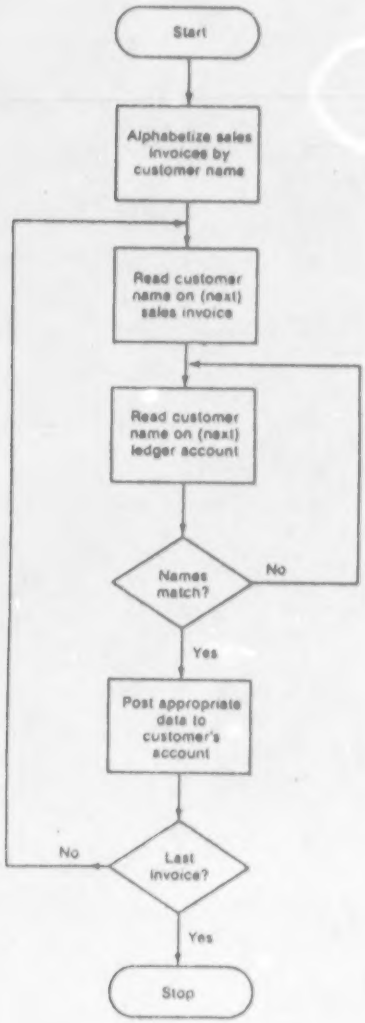
DATE	DESCRIPTION	POST REF.	DEBIT	CREDIT
1981 May 1	Cash		182225	
	Sales			182225
	Cash sales for the day			
1	Advertising Expense		35000	
	Cash			35000
	Advertisements in Times News			
1	Supplies		17500	
	Accounts Payable			17500
	On account from Crom Co			

c. This is a(n)_____

d. This is a(n) _____



ASSETS	
Asset Accounts	
Debit for **increases**	Credit for **decreases**

LIABILITIES	
Liability Accounts	
Debit for **decreases**	Credit for **increases**

CAPITAL	
Capital Accounts	
Debit for **decreases**	Credit for **increases**

e. This is a(n) _____

$3,000 Los Angeles, California November 1, 19--

three months after date I promise to pay

to the order of American National Bank

------Three thousand and no/100 ----- dollars

for value received, with interest at 6 per cent

Roberts Real Estate Company

By James Roberts

f. This is a(n)_____

If	Then
$H \leq 40$	$E = H \times R$
$H > 40$	$E = 40R + 1.5R(H - 40)$

E= total earnings
H= hours worked
R= hourly rate

g. This is a(n)_____

Answers to Visualizing and Identifying Exercise

a. invoice
b. Balance sheet
c. General Journal
d. Flowchart
e. T-account
f. Promissory Note
g. Algorithm

ACTIVITY - LEARNING COMMON ACRONYMS AND ABBREVIATIONS USED IN ACCOUNTING

PURPOSE Introduction:

As you read and study Accounting, you will come across quite a number of Abbreviations and Acronyms.

While you probably know that an abbreviation is a shortened form of a word, what is an acronym?

Acronym comes from Greek: akros = highest
onym = name

In English, "acro" is seen in words like:

"acrobat", or high-wire artist

"acrophobia", or a fear of heights

An acronym is generally formed from the first letters or syllables of a compound term. For example, did you know that the word, "radar" comes from: "radio detecting and ranging"? Or that scuba comes from: "self-contained underwater breathing apparatus"?

An acronym often becomes an accepted word. In fact, the acronym is often known when the words for which it stands are not.

This next exercise will introduce you to 20 common abbreviations and acronyms used in Accounting.

* * * * * *

Module 6 SPECIAL AREAS OF WORD STUDY FOR ACCOUNTING

Exercise: Part I

STUDY the following list of 20 abbreviations and acronyms. Your objective should be to get at least 13 of 15 of them correct in the exercise which follows:

1. cr. = credit
2. dr. = debit
3. CPA = certified public accountant
4. CGM = cost of goodsmanufactured
5. FASB = Financial Accounting Standards Board
6. FOB = free on board
7. FICA = Federal Insurance Contribution Act (Social Security)
8. GNP = gross national product
9. MIS = management information systems
10. n/30 = net 30 days
11. n/eom = end of month payment
    2/10, 2/30 = 2% discount given if payment made in 10 days or a 30-day credit period
12. Post. Ref. = posting reference
13. SEC = Securities and Exchange Commission
14. POS = point of sale
15. lifo = Last in, first out
16. Fifo = first in, first out
17. P/E ratio = price-earnings ratio
18. acct. = account, accountant
19. mdse. = merchandise
20. C. P. = cash payments

Module 6 SPECIAL AREAS OF WORD STUDY FOR ACCOUNTING

Exercise: Part II

Directions: From the list given, select the appropriate acronym or abbreviation that is a synonym for the short definitions listed below. Write the selected acronym/abbreviation on the blank at the right.

1. processing of data by mechanical or electronic equipment that operates with little done manually. 1._____
2. the right side of an account 2._____
3. payment due in 30 days 3._____
4. cash discount given for early payment 4._____
5. the most recent costs of merchandise are charged against revenue. 5._____
6. left-side of an account 6._____
7. professional accounting association 7._____
8. heading of account column that tells when debits and credits have been posted in the ledger 8._____
9. licensed accountant 9._____
10. Federal agency overseeing the trading of securities 10._____

11. the total amount of goods and services produced by a country 11._____

12. revenue from sales realized at time buyer and seller agree on sales price 12._____

13. Tax used to finance federal programs for old-age and disability benefits 13._____

14. costs of merchandise sold are charged against revenue in the order in which they were made. 14._____

15. referring to terms made on the costs of delivering or transporting goods from buyer to seller 15._____

How many were you able to remember? Check your answers on the next page.

Answers to Exercise : Abbreviations and Acronyms

1. MIS
2. credit= cr.
3. n/30
4. 2/10 or 2/30
5. Lifo
6. debit - dr.
7. FASB
8. post-ref.
9. CPA
10. SEC
11. GNP
12. POS
13. FICA
14. FIFO
15. FOB

* * * * * *

Module 7 STRATEGIES FOR REMEMBERING

STRATEGIES FOR REMEMBERING TECHNICAL AND NONTECHNICAL VOCABULARY ENCOUNTERED IN READING ASSIGNMENTS

A student's lament:

"How Can I Remember What is
So Easy To Forget ?"

Sounds like a song title, but you and I know that remembering a great deal of information, especially new information, can sometimes seem a monumental task.

Students often ask, "How can I retain what I study?"

Let's look at some proven study and learning techniques developed by psychologists and educators.

1. Help yourself concentrate by reading with pencil in hand and with complete attention.
2. Help yourself understand by writing or reciting words and meanings in your own words.
3. Organize words and terms into meaningful groups, as we did in some of the exercises. Classify terms that have something in common, for example, words that relate to time order, words that relate to merchandise accounting, etc.

The pages that follow will spell out some basic strategies to help you be successful in Accounting and all your other courses. There are 4 basic strategies presented:

STUDY ---- RECITE --- REVIEW --- ASSOCIATE

Module 7 STRATEGIES FOR REMEMBERING

STRATEGY: MULTISENSORY STUDY - USE STUDY CARDS

Many people find learning new words anc concepts through the use of study or flash cards, surprisingly effective. On the front of the card the word or term to be learned is printed. On the other side of the card, the following information should be written: pronunciation, definition, synonyms (where possible) and a context (sentence). See the sample below:

front of card (3x5)	back of card
sundry	pronounced: sun' dre definition: various or diverse synonym: miscellaneous context: The Sundry Accounts debit column is used to record debits to any account for which there is no special column.

Method- The method for using flash cards is to:

WRITE IT
SEE IT (look at it)
SAY IT (recite)
READ- turn card over and read the definition

Keep on this way until you can say the definition without turning the card over. When this happens, take card out of the pile and just concentrate on the words not learned yet. The method makes you use all your senses:

write, touch, look at, respond, reinforce, sort out the known, concentrate on the unknown and review -- virtually foolproof for memorizing data.

Module 7 STRATEGIES FOR REMEMBERING

STRATEGY: RECITE AND REVIEW

Recite: We've just discussed reciting or saying aloud words you want to learn from study cards. You can do the same thing with a page of notes and/or glossary you've been keeping with the divided page method discussed before you began the vocabulary exercises.

With the page of your own glossary, conceal the right-hand side of the page with an index card (or your hand). Try to recite the meaning of the word or term.

It's important to THINK about what you're saying. Then lift the card and check. Continue checking until you have full understanding. The cover card forces you to concentrate to recall what's underneath.

Review: SPACED PRACTICE. Your glossary of terms and/or study cards lend themselves to spaced reviews. Use them while waiting for a friend, riding to school, between classes, just before a test.

WARNING: Take care your run-throughs are not just mechanical repetitions. Focus on what the definition is really saying. Too much stress on memorization may destroy your understanding of the real meanings.

STRATEGY: ASSOCIATE: MNEMONIC (memory) DEVICES

While there is some disagreement on the benefit of mnemonic devices, many people find them helpful. The purpose of mnemonic devices is to obtain some kind of meaningful association with things to be learned and remembered. We know that meaningful items are more easily learned and remembered, therefore, when no association is already established, we try to make one.

EXAMPLE: Let's say you want to remember how to arrange the accounts in a ledger. You know there's a certain financial statement order. With time and practice this should become automatic. But here's a way for you to begin to remember.

The order is as follows:

1. Assets
2. Liabilities
3. Owner's equity
4. Revenue
5. Expense

You can see that the first letter of each word has been printed in a darker type, forming the acronym, "ALORE." Now if I want to remember the order, remembering the one word acronym makes it easier than remembering 5

separate words and their order.

This is just one type of device. Any association, with a word, or picture or feature that helps you remember is useful!

* * * * * * *

Reference Section -- A Running List of Vocabulary Items for Accounting 101 *

	General Terms	Accounting Terms
Chap. 1	1. allocated	account
	2. applicable	accounting
	3. appraise	accounting equation
	4. assess	account receivable
	5. commodity	aggregations of assets
	6. comparability	asset
	7. consumable	auditing
	8. consumption, consume	balance sheet
	9. disclose, disclosure	budgetary, budgeting
	10. duality	capital
	11. enterprise	corporation
	12. equation	credit, creditors
	13. entity	debit
	14. gradations	debtors
	15. in accordance	dividends
	16. incurred	equity, equities
	17. illusory	gross - income, profit, loss
	18. inherent in	liabilities
	19. interrelationships	net - income, profit, loss
	20. medium of exchange	realized/unrealized profits
	21. periodic	retained earnings statement
	22. preferential	revenues
	23. prepaid	sole proprietorship
	24. prescribed	solvency
	25. primary	
	26. prospective	
	27. statutes	
	28. subdivided	
	29. subgroupings	
	30. subsequent	
	31. tabular form	
	32. tangible/intangible	
	33. transactions	
	34. trend	
	35. yield	
Chap. 2	1. appreciate/de	cash
	2. consecutive	compound journal entry
	3. discrepancy	credit
	4. entry	debit, debited
	5. preliminary	depreciate
	6. residual claim	double-entry accounting
	7. sequentially	drawing account
	8. verified, verification	expired costs, unexpired
		journalizing
		ledger
		nominal accounts
		notes
		net worth

	General Terms	Accounting Terms
Chap. 2 Cont'd.		pencil footing plant assets posting "real" accounts revenue shareholder slides stockholder T-account temporary capital transpositions trial balance
Chap. 3	1. biweekly 2. flowchart 3. output 4. post-closing 5. semiannually 6. subcaptions	accounting cycle accumulated depreciation adjusting entries book value contra asset accounts fiscal year interim statements natural business year unexpired/expired cost working papers work sheet
Chap. 4	1. conversely 2. documentation 3. fluctuate 4. levy, levied 5. manual 6. recur 7. sundry	cash payments receipts journal controlling account FOB invoice merchandise on account requisition subsidiary ledger
Chap. 5		general or administrative expenses gross profit nonoperating income operating expenses
Chap. 6	1. contingency 2. discontinuance 3. issuance 4. uncollectible	aging the receivables contingent liabilities defaults discount, discounted cost-flow dishonored face amount lien "liquid" maturity value mortgage payable, payee "proceeds" promissory note receivable

	General	Accounting Terms
Chap. 7	1. accrue	accrual
	2. defer, deferred	deferral
	3. unearned	unearned revenue
	4. unrecorded	
Chap. 8	1. deflationary	book inventories
	2. evaluate	consign, consignor, consignee
	3. inflationary	consignment
	4. perpetual	fifo - first in, first out
	5. preceding	inventories
	6. prior	lifo - last in, first out
	7. replenished	unit prices
	8. revaluate, revaluation	weighted average method
	9. salability, salable	
	10. valuation, valuing	
Chap. 9		amortization
		"boot"
		composite - rate depreciation method
		conservatism
		copyright
		depletion
		depreciation - physical, function
		goodwill
		patents
		residual-scrap, salvage or trade-in value
Chap. 10	1. drawer, drawee	petty cash
	2. payee	voucher
	3. reciprocal	
	4. reconciliation	
	5. remittance	
Chap. 11	1. cumulative	algorithms
	2. remuneration	cash disbursements
	3. variable	"ceiling"
		constants
		input
		pay - net, gross
		payroll-system diagram
		premium rates
Chap. 12		cost-effectiveness
		data base
		hardware/software
		input/output
Chap. 13	1. acquisition	business entity concept
	2. foregoing	consistency
	3. liquidation	materiality
	4. precede, precedence	
	5. subsequent	

	General	Accounting Terms
Chap. 14	1. co-ower 2. dissolution 3. insolvent 4. pending	deficiency deficit realization
Chap. 15	1. allocable 2. defer 3. marketable 4. taxable	capital stock common stock equity per share par- preemptive right preferred stock
Chap. 16	1. inclusive	appropriation discretionary
Chap. 17		funded indebtedness redemption
Chap. 18, 19, 20, 21		
	1. apportionment 2. decentralized 3. differential 4. overhead	variable costing variances

REFERENCE SECTION

Common Prefixes Grouped According to Meaning

1. Negative Prefixes

Prefix	Meaning	Example
anti	against	antisocial, antifreeze
contra	against	contradict, contra asset
de	down, away from	defer, decentralize, depletion, deflate
dis	not	dishonored
	opposite	discontinuance
	apart from	dissolve
in (il, im, ir)	not	insolvent, indirect response, intangible
non	not, without	nonoperating, nonprofit, nonpublic corpor.
un	not	uncollectible, unrecorded

2. Position or Direction Prefixes

Prefix	Meaning	Example
ad, (ag, af, ac)	to	account, aggregate, adjust
in	in	inside, inflate, inclusive
pre, pro	before	prepaid, prospective, precede
post	after	postscript, post-closing
con (col, com)	with	consign, consolidated
inter	between	interrelationship, interim
over		overhead
sub	under	subway - subdivided, subgroupings
re	back, again	repeat - replenish, revaluate
trans	across, through, beyond	transcontinental, transpose, transact

3. Prefixes of Number or Relating to Number

Prefix	Meaning	Example
uni, mono	one	uniform, monotone, unit, unique
bi	two	biweekly
du	two	duet, dual
tri	3	twice
quad, quar	4	quadrangle, quarter
semi	part or half	semimonthly
(annual)	year	
Other		
equi, equa	equal	equate, equity
multi	many	multicolumn, multinational

Common Roots Used

Root	Meaning	Example
cred	believe, trust	
corp	body	corporation
scrib, scribe script	write or draw	subscribe, transcribe, prescribe
fer	to carry or bear	defer, preferential, deposit, composite
pay		
pose	place or put	transpose
ver	true	verify
spec, spect	look	prospective
manus	hand	manual
val	having value, to be worth	valuation, revaluate
plere	to fill	deplete, complete
equi, equa	equal	equity, equation, equitable
solve	to release or pay	solvency, dissolve, dissolution insolveno, unsolve, solvent
pend?		

Common Suffixes Used

1. Noun-forming

Suffix	Meaning	Examples
ion, tion	act, process of, result	verification valuation redemption allocation inflation remuneration amortization aggregation liquidation acquisiton
ment	act, state of	apportionment disbursement consignment
ure	act, or process of	disclosure
ity	condition, fact of being	equity reciprocity comparability commodity applicability profitability reliability duality liability salability

2. Adjective-forming

ar	having to do with, like, belonging to	tabular
able, ible	able to be, suitable for	applicable redeemable receivable payable taxable salable allocable variable deferrable equitable intangible uncollectible
al (ial)	of, like, having the nature of	accrual defferal interval departmental

Common Suffixes Used

Adjective-forming

Suffix	Meaning	Examples
ent, ant	one who, that, condition	solvent, variant
ence, ance	state of being, fact of	precedence, variance, accordance, discontinuance
ary	having to do with, collection of	preliminary, budgetary, discretionary